



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 325,000 MEMBERS

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## Remember When

By David G. Bronner

In 2003, the Alabama Department of Revenue began phasing in equalization of property valuation for property tax from once every four years to annually. You would have thought the state was trying to kill every man, woman and child in Alabama listening to some politicians and land barons.

Guess what! With the fall of property values, most of us would have paid more in property taxes next year without the change! Sometimes change can be very beneficial. ■

## Alabama's Grand Hotel Spa Tops Marriott's International List for Guest Satisfaction

With 50 spas internationally at Marriott and JW Marriott Hotels, the top spa for guest satisfaction is located in Point Clear at the Grand Hotel Marriott Resort, Golf Club & Spa. Marriott International uses a third-party company specializing in guest satisfaction to rate all areas of the hotels, including spas.

"We pride ourselves on our very high level of guest service," said Susie Marquez, director of The Spa at The Grand Hotel and the RTJ Spa Trail. "When a guest schedules an appointment with us, we don't just treat it as a massage or a facial. We try to create the optimal spa experience from beginning to end. Having two of our Alabama spas in the Top 10 globally is a real honor." The Marriott Shoals Hotel & Spa in Florence was ranked 7th.

This is not the first time The Grand Hotel has topped the list. The Grand Hotel Spa ranked the #1 Marriott spa in North America for 2008, but the top internationally ranking shines a new light on the historic hotel and its spa. The Grand Hotel is part of the Resort Collection on the Robert Trent Jones Golf Trail. ■



## Funding Benefits

By Marcus H. Reynolds, Jr.

In the past couple of months, funding for benefits has been a frequent topic in this publication as well as the state's newspapers and various employee publications. Not only in Alabama but around the nation, virtually every state is grappling with similar issues.

The upcoming budget session promises to be interesting with over \$230 million (TRS \$57 million, PEEHIP \$157 million, ERS \$16 million) in new dollars necessary to fund existing benefit levels at a time when state revenues are decreasing. There are two separate issues involved – retirement costs and insurance costs.

### PENSIONS (ERS AND TRS)

The RSA has seen two extreme market decreases in the first decade of the new millennium that eroded the assets of the RSA along with every other pension fund in the United States. The RSA also experienced an increase in liabilities of over one billion dollars due to unfunded benefits enacted in that same period. As a result, employer contributions will continue to rise in the coming years.

There are certain measures that can be taken in the short term to help meet these funding requirements. One relatively painless measure for both members and the state is an adjustment in the funding period. Like home mortgages, benefits are funded over a period of time. Currently, RSA benefits are funded over a 20-year period. By moving to 30 years, which is a reasonable funding period utilized by a majority of plans, we can hold payments constant for a year, maybe two.

Secondly, and not as painless, is an increase in member contributions from 5 percent to 6 percent of salary that will hold the state's contribution level for another 12-18 months. Because contributions were last increased in 1975 from 4 percent to 5 percent of salary, this seems a reasonable approach, especially in light of the benefit increases that were put into place since that time. These are both short-term fixes that buy two to four years of no new state dollars.

### HEALTH INSURANCE (PEEHIP)

The second immediate issue is funding for teacher health insurance. The next budget year will see the state appropriation for health insurance increase \$157 million and exceeding one billion dollars. The health insurance dilemma is both easy and hard. It is easy in that benefits have not been paid for

*Continued on page two*

# New Age Thinker

By Victoria Barrett, *Forbes*

**T**hanks to improved life expectancy, a 65-year-old today has ... roughly the same chance of dying within a year that a 55-year-old had in 1935. That's the good news. The bad news (or not, if you love your job) is that as we all feel younger, we might need to work longer. This is the contention of John Shoven, economist and director of the Stanford Institute for Economic Policy Research...In 1900 men enjoyed an average of two years of retirement. Shoven isn't going so far as to suggest a return to a retirement that measly, but the number of golden years will have to stop increasing.

...Federal laws discourage people from staying in the workforce past age 65. This is poignant—and profligate—considering that old-age funds have a combined actuarial deficit in the neighborhood of \$56 trillion. (That's the amount that should be in the bank today to cover the difference between future benefits and tax revenues.) This May, Treasury Secretary Timothy Geithner announced that the Social Security Trust Funds will be out of cash in 2037 and Medicare's in 2016.

At the same time that Social Security benefits are becoming on the whole too

generous, they are too stingy with people who keep working. Your benefit is based on your 35 best years of earnings – which means that if you work for 45 years, 10 years of contributions (from you and your employer) are going to waste. It's an incentive to drop out of the labor force. Adding insult to injury, you can't tap into Medicare at 65 if you stay on a corporate payroll.

In 1965 the average length of retirement for the median male retiree was 13 years. By 2003 it was 19. Roughly half of those additional jobless years were due to improvements in life expectancy, the other half to earlier departures from the workforce, estimates Shoven.

...Shoven's prescription for a healthier budget and workforce is to index the age at which Social Security kicks in and get rid of disincentives to working longer. If age had been indexed for improvements in mortality rates since the inception of Social Security, Americans would be waiting until age 73 to get their first check. Shoven doesn't believe we should make up for lost time; instead, he says, we should let the age climb to 67 by 2023, as current law dictates. Then start indexing so that by 2060, only those over 70 would qualify (assuming mortality rates

continue to improve).

...Shoven would instantly establish what he calls a "paid-up worker" category, which would exempt people who have worked for 40 years from payroll taxes. They would still pay income taxes. He wants to keep Medicare eligibility at age 65 and not deny it to those who continue to work. "That makes them a better deal for their employers," he says.

...Alicia Munnell, who heads Boston College's Center for Retirement Research, balks at Shoven's notion that the Social Security benefit age should keep going up. "He assumes everyone's mortality is improving at the same rate, but we see huge diversions," she says. A paper Munnell authored last year details research showing that people with less than a college education have seen almost no improvement in health over the last 30 years. White males aged 50 years old who have no schooling beyond high school have mortality rates more than twice as high as those with college degrees. Munnell even questions whether mortality rates will continue to improve. The big contributors to longer living have been a decline in smoking and better control of blood pressure. But now America is fat: Two-thirds of adults are overweight. That extra weight could reverse—or negate—other strides forward.... ■

## Funding Benefits *continued from page one*

in advance like retirement. Therefore, members have no vested legal rights to benefits as with pensions.

One hundred million dollars in employer costs can easily be extracted from PEEHIP by making changes that would bring PEEHIP in line with most other employer-offered plans. Such changes could include:

- 60-day maintenance drug supply as opposed to 90 days
- Elimination of combined allocation by spouses
- Including only generic drugs on maintenance list
- Increasing doctor visit copays from \$20 to \$25 or \$30
- Increasing premiums from \$2 to \$20 or \$25
- Increasing major medical deductibles from \$100 to \$300

- A spousal surcharge for spouses who have access to other coverages but choose to use PEEHIP

Changes of this nature would bring PEEHIP coverage in line with average coverages offered by Blue Cross and Blue Shield of Alabama and the State Employees Health Insurance Plan.

Again, these are changes that can have a short-term impact and buy the plans another two to four years of level costs while the economy and budgets attempt a recovery. Hopefully, this gets us through the crisis. Next month, we will discuss long-term solutions other states are using or considering to get fringe benefit plans back on a solid financial foundation for the future. ■

## WHERE COMPETITION IS IN SHORT SUPPLY

In many states, just one or two players command the health-insurance market:

STATE	LARGEST INSURER	MARKET SHARE
Alabama	Blue Cross Blue Shield AL	83%
Rhode Is.	Blue Cross Blue Shield R.I.	79%
Hawaii	Blue Cross Blue Shield HI	78%
Maine	Wellpoint	78%
Vermont	Blue Cross Blue Shield VT	77%
Montana	Blue Cross Blue Shield MT	75%
Arkansas	Blue Cross Blue Shield AR	75%

Source: *Business Week* / American Medical Assn.

# Education = Life

Source: United Way

Those who advocate for greater investment in education often make the economic argument: more education leads to higher wages and is critical for financial stability and independence. They're right. Robust evidence supports the view that higher levels of educational attainment are linked to higher incomes, less unemployment, less poverty, and less reliance on public assistance.

But education is about more than just better jobs and bigger paychecks, important though they are in making families and individuals more financially stable. More education is also linked to better physical and mental health, longer lives, fewer crimes, less incarceration, more voting, greater tolerance, and brighter prospects for the next generation. More education is good for individuals who stay in school to earn their high school degree or who enter and graduate college, but it is also good for all of us, paying big dividends in the form of increased civic engagement, greater neighborhood safety, and a healthy, vibrant democracy.

This report is a companion piece to the online *Common Good Forecaster*, a joint product of United Way and the

American Human Development Project. It takes a closer look at the ten indicators featured on the Forecaster and makes the case for why education matters to each of these critical areas.

- **Life expectancy:** On average, the more education people have, the longer they live.
- **Low birthweight:** Infants born to less-educated mothers are more likely to have low birthweight, which is associated with developmental delays and infant death.
- **Murder:** A one-year increase in the average level of schooling in a community is associated with a 30 percent decrease in the murder rate.
- **Obesity:** Obesity has increased among all Americans, yet the more educated are less likely to be overweight or obese.
- **Income:** The median annual earnings of Americans 25 and over who did not complete high school are less than \$18,500, while those who completed high school typically earn nearly \$26,000. College graduates earn \$44,000 annually, and those with graduate or professional degrees typically earn \$57,500.
- **Poverty:** Education is the single most

important factor in the determination of a person's poverty status: almost 24 percent of the adult population without a high school diploma is poor, compared to 11 percent of those who are high school graduates and only 3.6 percent of college graduates.

- **Unemployment:** The less education a person has, the more likely he or she is to be unemployed. A high school dropout is four times more likely to be unemployed than a college graduate.
- **Children's reading proficiency:** Among eighth graders whose parents have less than a high school education, 13 percent read proficiently (beyond a basic level), compared with 42 percent of their classmates whose parents have a college degree.
- **Voting:** In the 2004 presidential election, those with a college degree were 50 percent more likely to vote than high school graduates, and two and a half times more likely to vote than high school dropouts.
- **Incarceration:** Nearly three-quarters of state inmates did not complete high school; fewer than three percent completed college or more. ■

## Where to find the Common Good Forecaster?

[www.measureofamerica.org/forecaster](http://www.measureofamerica.org/forecaster) or [www.liveunited.org/forecaster](http://www.liveunited.org/forecaster)

## Golf Digest Honors Dr. B.



### ALL-STARS of Public Golf

**Tiger Woods** Developed his skills at California public tracks: Heartwell Par 3 and Recreation Park in Long Beach and Dad Miller in Anaheim.

**Lee Trevino** A local legend in the money games at Dallas' Tenison Park.

**Tom Bendelow** The Johnny Appleseed of golf-course architecture designed dozens of public courses in 30 states, including the first, New York's Van Cortlandt Park.

**Joe Jemsek** Chicagoland patriarch of public golf, the owner of Cog Hill and two other facilities was the first public-course owner on the USGA Executive Committee.

**Alfred (Tup) Holmes** Led an effort to end the segregation of Atlanta's public courses in 1953 with a lawsuit that was upheld by the Supreme Court. An Atlanta course now bears his name.

**Nancy Lopez** Learned the game on a nine-hole muni and another city course, New Mexico Military Institute Golf Course, in Roswell.

**Calvin Peete** Introduced to golf at Genesee Valley Park in Rochester, N.Y., in his 20s.

**Moe Norman** Canadian pro played often at the city-owned Rockway Golf Course in Kitchener, Ontario, sometimes 72 holes a day.

**Fred Couples** Grew up riding his bike to Seattle's Jefferson Park with his clubs.

**Hale Irwin** First played on the sand-greens muni in Baxter Springs, Kan.

**Ken Venturi** A regular at San Francisco's Harding Park and Lincoln Park as a junior.

**Dr. David Bronner** Led the development of the largest public golf project in history, Alabama's 11-site Robert Trent Jones Golf Trail.

ENJOY YOUR FALL  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,  
A Renaissance Hotel – Mobile – \$89**

- Sep. 1–3, 13, 20–23
- Oct. 5–8, 11–14, 18–19, 25–29
- Nov. 1–4, 15–30

**The Renaissance Riverview Plaza –  
Mobile – \$79**

- Sep. 1–3, 13, 20–23
- Oct. 5–8, 11–14, 18–19, 25–29 • Nov. 1–4, 15–30

**Marriott Grand – \$89 plus a 14% resort fee**

- Sep. 2–3, 6–10, 12–17, 20–24, 27–28
- Oct. 3–7, 11–15, 18–22, 28–30
- Nov. 1–3, 8–19, 24, 29–30

**Marriott Grand – RSA Golf Package – \$169**

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.  
Call for Tee Times after booking package

- Sep. 2–3, 6–10, 12–17, 20–24, 27–28
- Oct. 3–7, 11–15, 18–22, 28–30
- Nov. 1–3, 8–19, 24, 29–30

**Marriott Shoals – Florence – \$79**

- Sep. 1–3, 13–14, 20–21, 25–28
- Oct. 4–5, 11, 16–17, 25–29
- Nov. 1–3, 8–10, 13, 15–17, 19–22, 25–29

**Renaissance Ross Bridge – Hoover – \$89**

- Sep. 1–11, 13–14, 17–18, 20–22, 27–30
- Oct. 1–5, 11–16, 18–21, 25–29
- Nov. 1–3, 8–20, 22–30

**Opelika Marriott – \$79**

- Sep. 1–3, 6–10, 13–17, 20–23, 27–29
- Oct. 4–8, 11–12, 18–21, 25–27, 29
- Nov. 1, 5, 8–25, 28–30

**Prattville Marriott – \$79**

- Sep. 4–12, 21–23 • Oct. 6–7, 11, 22, 25–28, 31
- Nov. 5, 10, 13–19, 22–24, 28–30

**Renaissance Montgomery – \$89**

- Sep. 1–7, 11–15, 21, 25–27, 29–30
- Oct. 7–10, 18, 24, 27, 30–31
- Nov. 1–3, 8–11, 17–18, 21, 24, 27–28

**RSA Spa Package – \$159**

Ask for code – LOCD Includes Deluxe Room

- Sep. 1–3, 15, 29–30 • Oct. 7–8, 27
- Nov. 3, 10–11, 17–18, 24

Rates available the 1st of the month and are not applicable to groups.

Code: RABM, 800-228-9290

Internet promo code: R2A on [marriott.com](http://marriott.com)

Book Online and Save RSA \$4.

# Waste-to-Energy

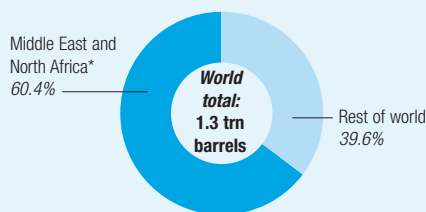
Source: EPA

Waste can be used to generate electricity either by incineration or sophisticated gasification, or by capturing methane gas emitted from landfills. During the last two decades, the U.S. has closed hundreds of waste incinerators because emissions from burning garbage were considered a bigger environmental problem than burying it. As a result, most garbage is now sent to landfills. For instance, New York City trucks eight million tons of nonindustrial trash to enormous landfills as far away as Virginia and Pennsylvania each year. *Presently, only 15% of U.S. garbage is burned, versus 54% that is buried in landfills and 35% that is recycled.*

However, incinerating a ton of trash emits a minimum 35% less greenhouse gas and yields 10 times as much electricity as burying it and capturing the methane emitted, according to recent study by the EPA. *The EPA says most landfills fail to capture all of the emitted methane, a lethal greenhouse gas.* ■

## Geology is destiny

Proven world oil reserves, end 2008, %



Source: BP

\* Including Iran



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